

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
CITY OF HAWARDEN, IOWA  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2005**

Prepared by  
Office of the City Clerk  
Sharole Rens, Deputy City Clerk/Finance Officer

**CITY OF HAWARDEN**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**as of June 30, 2005**

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**Elected City Officers**

Ricard Porter - Mayor

**Council Members:**

Dr. Monte Harvey (2005)  
Roy Lubkeman (2005)  
Jeff Nohava (2005)  
Mike Cauwels (2007)  
Robert Borchers (2007)

**Hospital Trustees:**

Glea Hamik  
Matt Hummel  
Pam Harvey  
Mary Jacobs  
Cynthia Porter

**Appointed City Officers**

Craig Coffey – City Administrator/City Clerk  
Chris Myers – Assistant City Administrator/Telecommunications Director  
Sharole Rens – Finance Officer/Deputy City Clerk  
Jim Pickner – City Attorney  
Tom Kane – Director of Public Works  
Mike DeBruin – Chief of Police  
Jami Dekkers – Activity Director  
Valerie Haverhals - Librarian

**Appointed Boards and Commissions**

**Library Board of Trustees:**

Lois Jean Dawson -Chairman  
John Polifka – Vice-Chairman  
Kay Scroggs  
Tony Lauters  
Teri Kallsen

**Planning and Zoning Commission:**

Patty Anderson  
Lloyd Strong, Jr.  
Harold Pry  
Mike Wiggins  
Virginia Moothart  
Carol Frerichs  
Jerry Jensen

**Board of Zoning Adjustment:**

William Salker - Chairman  
Julie Miller  
Jack Andela  
Judy Scott  
Arvin Kitchenmaster

**Park Board:**

John Blankenship  
Duane Schiefen  
Jerrold Lynott  
Jim Kinney  
Elaine Kane



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## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of the City Council  
City of Hawarden, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$2,727,888 and total operating revenues of \$3,776,934 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 54 through 59, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden, Iowa's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William & Company P.C.*  
Certified Public Accountants

August 25, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2005**

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow this report.

### **Financial Highlights**

- The assets of the City of Hawarden exceeded liabilities at June 30, 2005 by \$14,079,487. Of this amount, \$4,512,843 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased \$382,148 during the year. Of this amount, the assets of our Governmental Activities increased \$246,450 and the assets of our Business Activities decreased \$628,598.
- The largest factor in the overall decrease in net assets was the abnormally large amount of construction expense incurred relating to several Capital Projects and Economic Projects conducted during the year. Another factor affecting net assets was the increased costs of purchased electricity and natural gas in the enterprise funds greatly reducing the profits in these funds.
- The City's long-term debt decreased \$345,000 due to the scheduled debt service payments and no new debt issuance. Outstanding General Obligation debt totals \$1,230,000. Outstanding Revenue Bond Debt totals \$5,915,000. Of the \$5,915,000 of Electric Revenue bonds outstanding, \$2,945,000 consists of crossover refunding bonds and \$2,970,000 of the original issue of revenue bonds, which will be retired in FY 2006.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to the Management's Discussion and Analysis, this annual report is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial

statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## **REPORTING THE CITY AS WHOLE**

### **The Statement of Net Assets and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, Parks, and Recreation departments, and general administration. Property Taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone/Cell Phone, and Cable/High Speed Internet.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these



funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2005, net assets changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 2,611,615	\$ 4,736,089	\$ 7,677,596	\$ 7,425,575	\$ 10,289,211	\$ 12,161,664
Capital Assets	8,571,761	6,533,085	3,852,009	4,752,143	12,423,770	11,285,228
Total Assets	11,183,376	11,269,174	11,529,605	12,177,718	22,712,981	23,446,892
Long-term Liabilities Outstanding	1,419,462	1,574,947	2,970,000	3,140,000	4,389,462	4,714,947
Other Liabilities	996,472	1,027,235	3,247,560	3,243,075	4,244,032	4,270,310
Total Liabilities	2,415,934	2,602,182	6,217,560	6,383,075	8,633,494	8,985,257
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	7,341,761	5,108,592	882,009	1,758,143	8,223,770	6,720,735
Restricted	195,851	176,424	1,147,023	506,516	1,342,874	682,940
Unrestricted	1,229,830	3,235,976	3,283,013	3,675,984	4,512,843	7,057,960
Total Net Assets	\$ 8,767,442	\$ 8,520,992	\$ 5,312,045	\$ 5,940,643	\$ 14,079,487	\$ 14,461,635

The government's net assets decreased by \$382,148 during the current fiscal year. The majority of this amount is related to a decrease in the business-type unrestricted net assets due to decreased operating profits caused by abnormally high costs of purchasing electricity and gas. The governmental unrestricted net assets and investment in capital assets showed corresponding changes due to the outlay for several very large construction projects. Business-Type restricted net assets and investment in capital assets also showed substantial changes due to the reclassification of the MBMECA investment. This summary reflects an increase of 2.9% for the Governmental Activities and a decrease of 10.6% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Assets reported in Fiscal 2005 as compared to Fiscal 2004 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 289,594	\$ 323,939	\$ 5,228,813	\$ 4,840,484	\$ 5,518,407	\$ 5,164,423
Operating Grants & Contributions	29,295	41,102	-	-	29,295	41,102
Capital Grants & Contributions	19,414	-	-	-	19,414	-
General Revenues:						
Property Taxes	775,782	744,387	-	-	775,782	744,387
Other Taxes	193,270	191,576	-	-	193,270	191,576
Other	374,665	584,849	48,914	309,874	423,579	894,723
Total Revenues	\$ 1,682,020	\$ 1,885,853	\$ 5,277,727	\$ 5,150,368	\$ 6,959,747	\$ 7,036,211

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses:						
General Government	\$ 133,693	\$ 111,607	-	-	\$ 133,693	\$ 111,607
Public Safety	462,040	406,863	-	-	462,040	406,863
Public Works	378,171	449,663	-	-	378,171	449,683
Health & Welfare	194,565	192,871	-	-	194,565	192,871
Culture & Recreation	425,992	421,180	-	-	425,092	421,180
Community and Economic Development	208,975	450,439	-	-	208,975	450,439
Capital Projects	-	64,186	-	-	-	-
Debt Service	71,586	76,769	-	-	71,586	76,769
Water Utility	-	-	\$ 260,770	\$ 260,997	260,770	260,997
Waste Water Utility	-	-	277,040	256,252	277,040	256,262
Electric Utility	-	-	2,168,822	1,789,696	2,168,822	1,789,696
Gas Utility	-	-	1,345,433	1,131,164	1,345,433	1,131,164
Solid Waste Utility	-	-	153,488	134,634	153,488	134,634
Telephone Utility	-	-	909,146	993,414	909,146	993,414
Cable/Internet Utility	-	-	352,174	361,078	352,174	361,078
Total Expenses	1,875,022	2,173,698	5,466,873	4,927,235	7,341,895	7,036,647
Increase (Decrease) in Net Assets Before Transfers	(193,002)	(287,745)	(189,146)	223,123	(382,148)	(64,622)
Transfers	439,452	693,000	(439,452)	(693,000)	-	-
Increase (Decrease) in Net Assets	246,450	405,266	(628,598)	(469,877)	(382,148)	(64,622)
Net Assets July 1	8,520,992	8,115,737	5,940,643	6,410,520	14,461,635	14,526,257
Net Assets June 30	\$ 8,767,442	\$ 8,520,992	\$ 5,312,045	\$ 6,940,643	\$ 14,079,487	\$ 14,461,635

Program revenues totaled \$5,567,116 for fiscal year 2005 compared to \$5,205,525 for fiscal year 2004. Governmental Activities provided \$338,303 and Business-Type Activities provided \$5,228,813. Revenue collected for Charges for Services during fiscal year 2005 was \$5,518,407, accounting for 99% of the total program revenues.

General Revenues for fiscal year 2005 totaled \$1,392,631. Governmental Activities provided \$1,343,717 and Business-Type Activities provided \$48,914. Property Tax Revenues for fiscal year 2005 totaled \$775,782, accounting for 56% of General Revenues.

Expenditures for fiscal year 2005 totaled \$7,341,895. Expenditures for General Governmental Activities totaled \$1,875,022, accounting for 25% of total expenditures. Business-Type Activity expenditures totaled \$5,466,873, for 75% of the total. As previously noted, the Electric and Gas Utilities saw substantial increases in their expenditures due to the high costs associated with purchasing the respective electricity and gas.

The following table show the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities

<u>Program Level</u>	<u>Activity</u>
Community and Economic Development.....	Economic Development, Community Beautification, Planning and Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of Interest
Capital Projects .....	Construction of Capital Facilities
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Sewer System .....	Operation of the Waste Water Treatment Plant/Collection System
Electric System .....	Operation of Electric Distribution System
Natural Gas Utility .....	Operation of Natural Gas Distribution System
Solid Waste Utility .....	Oversite of Solid Waste Contract/Closed Landfill
Telephone Utility .....	Operation of Telephone Communication System
Cable/Internet Utility.....	Operation of Cable/Internet System

### **Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$462,040 and received \$157,723 in revenue, thus leaving a cost to the taxpayer of \$304,317 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$1,875,022. Of these costs, \$289,594 was paid by those who directly benefited from the programs. Costs paid by other governmental and organizations that subsidized certain programs with grants and contributions were \$48,709, leaving a Net Expense of \$1,536,719 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$10,203,012, consisting of Net Assets at July 1, 2004 of \$8,520,992, Program Revenues of \$338,303 and General Revenues of \$1,783,169. Total Governmental Activities during the year expended \$1,875,022; thus, Net Assets were increased by \$246,450, to \$8,767,442.

## **Business-Type Activities**

Business-Type Activities decreased the City's net assets by \$628,598.

The cost of all Proprietary Activities this year was \$5,466,873. As shown in the Statement of Activities, the amounts paid by users of the systems was \$5,228,813, resulting in total Net Expense for Business-Type Activities of \$238,060.

Total resources available during the year to finance Proprietary Fund activities were \$11,295,724, consisting of Net Assets at July 1, 2004 of \$5,940,643, Program Revenues of \$5,228,813 and General Revenues and transfers of \$(390,538). Total Proprietary Fund Activities during the year expended \$5,466,873; thus Net Assets were decreased by \$658,598 to \$5,312,045.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$875,694. The combined Governmental Funds balance decreased \$1,971,748 from the prior year. This decrease would be accounted for primarily by completion of the City Hall/Community Center Project and the Fire Station Project.

The General Fund is the primary operating fund of the City. During the year, expenditures were less than revenues in the General fund by \$42,318. This amount is lower than 2004 when expenditures were less than revenue in the General fund by \$141,404. The TIF and Debt Service Funds saw very minimal changes during the year maintaining a fund balance consistent with prior years. The Capital Projects Fund saw substantial changes due to the completion of several large projects. In FY 2004 the Capital Projects Fund accumulated the funds necessary to complete the projects and in FY 2005 the projects were completed and the funds expended.

## **General Fund Budgetary Highlights**

Comparing the Fiscal Year 2005 original (adopted) General Fund amount of \$1,259,000 to the final budget amount of \$1,274,000 shows a net increase of \$15,000.

Original Budget	Supplemental Changes	Amended Budget
\$ 1,259,000	\$ 15,000	\$ 1,274,000

The following table shows the General Fund budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 410,800	\$ 409,506	\$ 1,294
Public Works	298,000	251,664	46,336
Culture and Recreation	382,700	373,404	9,296
Community and Economic Development	56,000	55,098	902
General Government	<u>126,500</u>	<u>116,065</u>	<u>10,435</u>
<b>Total Expenditures</b>	<b>\$ <u>1,274,000</u></b>	<b>\$ <u>1,205,737</u></b>	<b>\$ <u>68,263</u></b>

### Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2005, was \$8,223,770 (net of accumulated depreciation and outstanding financings) compared to \$6,720,735 as of June 30, 2004. The increase would be accounted for the completion of City Hall/Community Center Project and Fire Station in Governmental Activities. See Note 4 to the financial statements for more information on the City's capital assets.

### DEBT ADMINISTRATION

At year-end, the City had \$7,145,000 of debt outstanding, including \$2,945,000 of revenue crossover bonds for which proceeds are held as investment until the crossover date. This is an decrease of \$345,000.

Debt administration is on track with over 73% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF revenue has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$3,503,982. With outstanding General Obligation Debt applicable to this limit of \$1,202,529, we are utilizing 34% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden worked hard in FY 2004-2005 to maintain a progressive approach to growth and community development. In August 2004, Hawarden was officially awarded a Community and Attraction Tourism (CAT) Grant from the Vision Iowa Board. Work started almost immediately on the various segments of the Heart of Hawarden Project. In addition to a new Community Center, the project included a mile long multi-purpose trail, roller blade hockey/basketball arena, large outdoor community pavilion, native tree arboretum and landscaping, Totland Playground equipment, 30-space parking area, ADA-compliant bathrooms for Calliope Village, renovations on the Ruth Suckow House, moving and renovating a building from McNally to become a Veteran's Museum, outdoor ice skating facility, removal of the Central Avenue bridge and replacement with a concrete street, and completion of the Dry Creek Park piping project to allow for the trail system. Several of the projects were started this fiscal year, with a majority of the work to be completed by August 2006.

During the year, the new City Offices and Community Center facilities were completed. Hawarden City government began operation in its new home in January 2005. Since its dedication, the Hawarden Community Center/City Offices facility has quickly become the center of activity for the community, hosting a variety of events from wedding receptions to banquets to business meetings and more.

In this fiscal year, Hawarden also constructed a new Fire/EMS building on the north end of town. The facility, dedicated in June, now serves as home to the Hawarden Ambulance, Fire, Rescue, and Civil Defense squads. The building provides ample storage for all vehicles and equipment and provides a more inviting atmosphere for a wide variety of training sessions and other meetings for staff and volunteers. This project not only provided new Fire/EMS facilities, it allowed the City's Street Department to move into the vacated Fire Station and also served as a beautification project for the community, cleaning up an otherwise lackluster entrance to the community on Hawarden's northern edge.

Economically, the City works hard to attract new businesses and industry, while maintaining a quality of life residents have come to expect and enjoy. The former Bonderson Auto Parts Building, damaged by fire in 2003, was renovated by HAPP and the City of Hawarden, with local financing and the assistance of a RACI grant from the Iowa Department of Economic Development (IDED) and Prairie Meadows. The building is now home to The Willow Tree, a home décor retailer. A new hotel, Hawarden Harvest Inn, opened for business in June 2004. The building, located on the south edge of town, was constructed with the help of a TIF grant from the City.

In business and industry recruitment, City and HAPP staff and volunteers made great strides "behind the scenes" in developing a plan of action to help attract businesses to the community. In the FY 04-05 budget, the City Council approved funding for a marketing plan to help represent the community professionally to prospective businesses. The plan began to take shape in mid-FY 04-05 and will most likely be

completed with the help of a marketing consultant in mid-FY 05-06. In an attempt to boost marketing efforts, the City Council also committed funding to the Northwest Iowa Economic Developers Coalition (NWIDC), a group of development organizations from a six-county region. This year, the group received a large collaborative marketing grant from the IDED to help promote the region as a whole. In conjunction with the NWIDC, the City became a member of the Community Venture Network (CVN), a Minneapolis-based organization which helps expose communities to businesses looking to expand or relocate. In its short membership this year, the City was able to land a community visit from one prospect and had serious interest from several others. Staff and volunteers will continue to work with the CVN to promote Hawarden's interests across the Midwest.

Hawarden as a community made great strides this year in recruiting medical professionals to the community. City and HAPP representatives are working jointly to recruit a dentist. Direct mail and "word of mouth" marketing have been used to date, however, trips to dental recruitment fairs throughout the Midwest are planned in the next year. On the same note, the Hawarden Community Hospital has spent a great deal of energy to recruit a new doctor. Through the help of a search firm, staff and community members have interviewed several candidates and continue to work hard to find a candidate interested in practicing in a small Northwest Iowa community.

Beautification projects have also become a priority for the community. The City was awarded a \$300,000 Housing Rehabilitation Grant from IDED's Iowa Housing Fund. Through this funding, at least 10 homes of low-moderate income families will be rehabilitated, improving both their quality of life and the appearance of the homes. In mid-December, the City was chosen to participate in Trees Forever Iowa's Living Roadways Visioning Program. In this process, volunteers work with professional and student landscape architects to identify beautification-related goals and to find funding mechanisms to reach these goals. Plans are drawn and action plans set, giving volunteers and City staff a roadmap to complete the projects. This process will be completed in early FY 05-06.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jason Metten or Sharole Rens at 712-551-2565.



CITY OF HAWARDEN, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hawarden Community Hospital
	Activities	Activities		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 664,709	\$ 323,563	\$ 988,272	\$ 420,037
Investments	735,934	-	735,934	13,669
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	72,173	242,153	314,326	765,156
Taxes	13,601	-	13,601	-
Subsequent Year Taxes	831,429	-	831,429	-
Accrued Interest	2,064	6,316	8,380	-
Other	-	-	-	89,070
Estimated Unbilled Usage	-	95,371	95,371	-
Special Assessments	6,910	-	6,910	-
Notes Receivable	164,449	-	164,449	-
Internal Balances	302,511	(302,511)	-	-
Advances to Other Funds	(298,685)	298,685	-	-
Due from Other Governmental Agencies	52,926	-	52,926	-
Inventories	-	383,898	383,898	56,382
Prepaid Assets	47,741	39,941	87,682	54,444
Investment in Joint Venture	-	886,593	886,593	-
Restricted Assets:				
Cash and Cash Equivalents- Council Restricted Plant Replacement	-	893,845	893,845	182,001
Cash and Cash Equivalents - Bond Reserve	-	31,305	31,305	-
Investments- Bond Reserve	-	3,296,689	3,296,689	-
Investments - Council Restricted Plant Replacement	-	1,380,000	1,380,000	-
Customer Deposits	-	32,032	32,032	-
Bond Issue Costs	15,853	69,716	85,569	-
Land	473,625	56,094	529,719	7,000
Construction in Progress	103,675	-	103,675	44,203
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	7,994,461	3,795,915	11,790,376	1,095,926
<b>Total Assets</b>	<b>11,183,376</b>	<b>11,529,605</b>	<b>22,712,981</b>	<b>2,727,888</b>
<b>LIABILITIES</b>				
Accounts Payable	138,229	171,613	309,842	697,008
Accrued Wages and Compensated Absences	11,347	29,568	40,915	174,873
Accrued Expenses	679	6,056	6,735	10,287
Due to Other Governments	-	33,482	33,482	-
Accrued Postclosure Costs	-	6,800	6,800	-
Deferred Revenue - Subsequent Year Taxes	831,429	-	831,429	-
Accrued Interest Payable	14,788	-	14,788	-
Payables from Restricted Assets:				
Customer Deposits	-	32,032	32,032	-
Accrued Revenue Bond Interest	-	23,009	23,009	-
Revenue Bonds - Crossover	-	2,945,000	2,945,000	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	200,000	200,000	-
General Obligation Bonds	105,000	-	105,000	-
Notes Payable	5,828	-	5,828	15,202
Capital Lease	-	-	-	29,081
Compensated Absences	25,013	-	25,013	-
Due in more than one year:				
Revenue Bonds Payable	-	2,770,000	2,770,000	-
General Obligation Bonds	1,125,000	-	1,125,000	-
Notes Payable	158,621	-	158,621	22,126
Capital Lease	-	-	-	10,091
<b>Total Liabilities</b>	<b>2,415,934</b>	<b>6,217,560</b>	<b>8,633,494</b>	<b>958,668</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	7,341,761	882,009	8,223,770	1,070,629
Restricted for:				
Debt Service	27,471	-	27,471	-
Revenue Bonds	-	294,206	294,206	-
Investment in Joint Venture	-	852,817	852,817	-
Endowments:				
Expendable	37,446	-	37,446	-
Nonexpendable	130,934	-	130,934	96,123
Unrestricted	1,229,830	3,283,013	4,512,843	602,468
<b>Total Net Assets</b>	<b>\$ 8,767,442</b>	<b>\$ 5,312,045</b>	<b>\$ 14,079,487</b>	<b>\$ 1,769,220</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 462,040	\$ 157,723	\$ -	\$ -
Public Works	378,171	25,414	-	-
Health and Social Services	194,565	-	-	-
Culture and Recreation	425,992	57,542	29,295	-
Community and Economic Development	208,975	-	-	-
General Government	133,693	48,915	-	-
Capital Projects	-	-	-	19,414
Debt Service	71,586	-	-	-
Total governmental activities	<u>1,875,022</u>	<u>289,594</u>	<u>29,295</u>	<u>19,414</u>
<b>Business-Type Activities:</b>				
Water Utility	260,770	259,824		
WasteWater Treatment Utility	277,040	220,575		
Electric Utility	2,168,822	1,747,408		
Gas Utility	1,345,433	1,450,173		
Solid Waste Utility	153,488	151,926		
Telephone Utility	909,146	1,047,889		
Cable/Internet Utility	352,174	351,018		
Total Business-Type Activities:	<u>5,466,873</u>	<u>5,228,813</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,341,895</u>	<u>\$ 5,518,407</u>	<u>\$ 29,295</u>	<u>\$ 19,414</u>
<b>Component Unit:</b>				
Hawarden Community Hospital	\$ 4,025,615	\$ 3,776,934	\$ 107,870	\$ 100,896

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
General Intergovernmental Revenues  
Gain on Sale of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Prior Period Adjustment  
Net assets - beginning, as Restated  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Hawarden Comm. Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (304,317)		\$ (304,317)	
(352,757)		(352,757)	
(194,565)		(194,565)	
(339,155)		(339,155)	
(208,975)		(208,975)	
(84,778)		(84,778)	
19,414		19,414	
(71,586)		(71,586)	
<u>(1,536,719)</u>		<u>(1,536,719)</u>	
	\$ (946)	(946)	
	(56,465)	(56,465)	
	(421,414)	(421,414)	
	104,740	104,740	
	(1,562)	(1,562)	
	138,743	138,743	
	(1,156)	(1,156)	
	<u>(238,060)</u>	<u>(238,060)</u>	
<u>(1,536,719)</u>	<u>(238,060)</u>	<u>(1,774,779)</u>	
			\$ (39,915)
775,782	-	775,782	-
193,270	-	193,270	-
60,339	144,799	205,138	8,140
229,516	-	229,516	-
18,350	-	18,350	(11,663)
66,460	(95,885)	(29,425)	193,320
439,452	(439,452)	-	-
<u>1,783,169</u>	<u>(390,538)</u>	<u>1,392,631</u>	<u>189,797</u>
246,450	(628,598)	(382,148)	149,882
8,666,992	5,794,643	14,461,635	1,619,338
(146,000)	146,000	-	-
<u>8,520,992</u>	<u>5,940,643</u>	<u>14,461,635</u>	<u>1,619,338</u>
<u>\$ 8,767,442</u>	<u>\$ 5,312,045</u>	<u>\$ 14,079,487</u>	<u>\$ 1,769,220</u>

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2005**

	<b>General</b>	<b>TIF</b>
<b>Assets</b>		
Cash and Pooled Investments	\$ 73,185	\$ 89,356
Investments	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	71,729	-
Taxes	6,617	2,672
Subsequent Year Taxes	299,631	323,911
Accrued Interest	-	-
Special Assessments	6,910	-
Notes Receivable	164,449	-
Due from Other Funds	332,823	147,425
Due from Other Governmental Agencies	-	-
Prepaid Assets	47,741	-
Total Assets	<u>1,003,085</u>	<u>563,364</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts Payable	22,331	3,009
Accrued Wages and Compensated Absences	11,347	-
Accrued Expenses	679	-
Due to Other Funds	-	-
Notes Payable	164,449	-
Unearned Revenue	3,698	-
Deferred Revenue - Subsequent Year Taxes	299,631	323,911
Advance from Other Funds	-	298,685
Total Liabilities	<u>502,135</u>	<u>625,605</u>
<b>Fund Balances:</b>		
Reserved for:		
Debt Service	-	-
Library Endowment	-	-
Prepaid Items	47,741	-
Unreserved for:		
General Fund	453,209	-
Special Revenue Fund	-	(62,241)
Capital Project Fund	-	-
Total Fund Balances	<u>500,950</u>	<u>(62,241)</u>
Total Liabilities and Equity	<u>\$ 1,003,085</u>	<u>\$ 563,364</u>

Debt Service	Capital Project Community Center Project	Other Governmental Funds	Total Governmental Funds
\$ 25,520	\$ -	\$ 444,278	\$ 632,339
-	-	210,934	210,934
-	345	-	72,074
1,951	-	2,361	13,601
96,873	-	111,014	831,429
-	-	910	910
-	-	-	6,910
-	-	-	164,449
-	-	65,036	545,284
-	-	52,926	52,926
-	-	-	47,741
124,344	345	887,459	2,578,597
-	7,997	104,857	138,194
-	-	-	11,347
-	-	-	679
-	106,997	147,425	254,422
-	-	-	164,449
-	-	-	3,698
96,873	-	111,014	831,429
-	-	-	298,685
96,873	114,994	363,296	1,702,903
27,471	-	-	27,471
-	-	168,380	168,380
-	-	-	47,741
-	-	-	453,209
-	-	73,318	11,077
-	(114,649)	282,465	167,816
27,471	(114,649)	524,163	875,694
\$ 124,344	\$ 345	\$ 887,459	\$ 2,578,597

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**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2005**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 875,694
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,912,247
Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets.	1,229,751
Deferred revenues that provide current financial resources for governmental activities	3,698
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(14,788)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	15,853
Accrued compensated absences not reported on the modified accrual basis.	(25,013)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,230,000)</u>
Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 8,767,442</u></u>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended June 30, 2005**

	General	TIF	Debt Service
Revenue:			
Taxes	\$ 301,829	\$ 267,106	\$ 98,994
Special Assessments	4,423	-	-
Licenses and Permits	18,633	-	-
Intergovernmental Revenue	32,344	-	-
Charges for Services	194,290	-	-
Fines and Forfeits	12,284	-	-
Contributions	-	-	-
Refunds/Reimbursements	42,997	-	-
Rental Income	12,849	-	-
Interest	11,236	4,740	2,152
Miscellaneous	6,612	-	15,294
Total Revenue	637,497	271,846	116,440
Expenditures:			
Public Safety	409,506	-	-
Public Works	251,664	-	-
Health and Social Services	-	-	-
Culture and Recreation	373,404	-	-
Community and Economic Development	55,098	151,800	-
General Government	116,065	-	-
Capital Projects	-	-	-
Debt Service	-	-	246,614
Total Expenditures	1,205,737	151,800	246,614
Excess (deficiency) of revenues over expenditures	(568,240)	120,046	(130,174)
Other financing sources (uses):			
Transfers In	627,850	50,000	141,308
Transfers Out	(17,292)	(155,308)	-
Total other financing sources (uses)	610,558	(105,308)	141,308
Net Change in Fund Balance	42,318	14,738	11,134
Fund balances-beginning of year	458,632	69,021	16,337
Prior Period Adjustment	-	(146,000)	-
Beginning Fund balances (Deficits), as restated	458,632	(76,979)	16,337
Fund balances (Deficits)- end of year	\$ 500,950	\$ (62,241)	\$ 27,471



<b>Capital Project Community Center Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 107,852	\$ 775,781
-	-	4,423
-	-	18,633
-	404,221	436,565
-	-	194,290
-	-	12,284
-	34,869	34,869
-	7,306	50,303
-	-	12,849
7,388	18,864	44,380
3,803	2,146	27,855
<u>11,191</u>	<u>575,258</u>	<u>1,612,232</u>
-	23,300	432,806
-	-	251,664
-	193,270	193,270
-	11,942	385,346
-	-	206,898
-	-	116,065
1,369,167	675,602	2,044,769
-	-	246,614
<u>1,369,167</u>	<u>904,114</u>	<u>3,877,432</u>
<u>(1,357,976)</u>	<u>(328,856)</u>	<u>(2,265,200)</u>
4,492	84,900	908,550
-	(296,498)	(469,098)
<u>4,492</u>	<u>(211,598)</u>	<u>439,452</u>
(1,353,484)	(540,454)	(1,825,748)
1,238,835	1,064,617	2,847,442
-	-	(146,000)
<u>1,238,835</u>	<u>1,064,617</u>	<u>2,701,442</u>
\$ (114,649)	\$ 524,163	\$ 875,694

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ (1,825,748)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,101,527	
Depreciation expense	<u>(241,619)</u>	1,859,907

Revenues reported in the funds that are not available to provide current financial resources	11,349
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Accrued interest expense that does not require current financial resources	(5,470)
--	---------

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(25,013)
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Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	58,476
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	(2,051)
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The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>175,000</u>
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Change in net assets of governmental activities (page 16)	<u>\$ 246,450</u>
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**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**June 30, 2005**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 83,058	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	24,478	14,333	60,580
Accrued Interest	1,288	856	2,573
Estimated Unbilled Usage	8,659	6,651	61,776
Due from Other Funds	-	-	7,324
Investment in Joint Venture	-	-	852,817
Advances to Other Funds	-	-	298,685
Inventories	33,542	-	194,229
Prepaid Assets	3,413	2,931	18,726
Non-Current Assets:			
Restricted Assets:			
Cash and Cash Equivalents- Council Restricted Plant Replacement	104,212	303,365	186,114
Cash and Cash Equivalents - Bond Reserve	-	-	31,305
Investments- Bond Reserve	-	-	3,296,689
Investments - Council Restricted Plant Replacement	200,000	300,000	500,000
Customer Deposits	-	-	-
Bond Issue Costs	-	-	69,716
Land	33,873	130	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	866,492	520,728	1,989,017
<b>Total Assets</b>	<b>1,275,957</b>	<b>1,232,052</b>	<b>7,569,551</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,050	1,704	93,412
Accrued Wages and Compensated Absences	2,941	1,541	10,596
Accrued Expenses	845	67	3,577
Due to Other Funds	71,511	-	208,501
Due to Other Governments	-	-	-
Accrued Postclosure Costs	-	-	-
Payables from Restricted Assets:			
Customer Deposits	-	-	-
Accrued Revenue Bond Interest	-	-	23,009
Revenue Bonds - Current	-	-	2,945,000
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	-	200,000
Due in more than one year:			
Revenue Bonds Payable	-	-	2,770,000
<b>Total Liabilities</b>	<b>78,347</b>	<b>3,312</b>	<b>6,254,095</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	900,365	520,858	(980,983)
Restricted for:			
Debt Service	-	-	-
Revenue Bonds	-	-	294,206
Investment in Joint Venture	-	-	852,817
Unrestricted	297,245	707,882	1,149,416
<b>Total Net Assets</b>	<b>\$ 1,197,610</b>	<b>\$ 1,228,740</b>	<b>\$ 1,315,456</b>

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 315	\$ 54,792	\$ 185,398	\$ -	\$ 323,563	\$ 32,370
-	-	-	-	-	525,000
59,529	9,991	69,953	3,289	242,153	99
-	1,159	440	-	6,316	1,154
13,981	4,304	-	-	95,371	-
133,250	-	-	-	140,574	11,649
-	33,776	-	-	886,593	-
-	-	-	-	298,685	-
29,226	-	105,583	21,318	383,898	-
4,943	2,250	4,811	2,867	39,941	-
-	-	-	-	-	-
156,666	5,523	60,058	77,907	893,845	-
-	-	-	-	31,305	-
-	-	-	-	3,296,689	-
-	180,000	200,000	-	1,380,000	-
26,995	-	5,037	-	32,032	-
-	-	-	-	69,716	-
6	22,085	-	-	56,094	-
-	-	-	-	-	-
164,237	-	54,176	201,265	3,795,915	659,514
589,148	313,880	685,456	306,646	11,972,690	1,229,786
23,065	11,943	21,400	17,039	171,613	35
4,303	-	8,243	1,944	29,568	-
1,074	10	-	483	6,056	-
98,037	-	-	65,036	443,085	-
-	-	33,482	-	33,482	-
-	6,800	-	-	6,800	-
26,995	-	5,037	-	32,032	-
-	-	-	-	23,009	-
-	-	-	-	2,945,000	-
-	-	-	-	-	-
-	-	-	-	200,000	-
-	-	-	-	2,770,000	-
153,474	18,753	68,162	84,502	6,660,645	35
164,243	22,085	54,176	201,265	882,009	659,514
-	-	-	-	-	-
-	-	-	-	294,206	-
-	-	-	-	852,817	-
271,431	273,042	563,118	20,879	3,283,013	570,237
\$ 435,674	\$ 295,127	\$ 617,294	\$ 222,144	\$ 5,312,045	\$ 1,229,751

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business Type Activities</b>		
	<b>Water Utility</b>	<b>Waste Water Treatment Utility</b>	<b>Electric Utility</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 259,824	\$ 220,575	\$ 1,747,408
<b>Total Operating Revenue</b>	<u>259,824</u>	<u>220,575</u>	<u>1,747,408</u>
<b>Operating Expenses:</b>			
Resale Purchases			806,560
Employee Services	60,117	47,252	133,118
Contract Services	86,419	104,787	151,427
Supplies	38,068	21,219	162,356
Repairs and Improvements	10,596	16,938	43,556
Utilities	13,190	28,153	
Miscellaneous	495	595	11,832
Depreciation	51,885	58,096	569,837
Amortization			6,162
<b>Total Operating Expenses</b>	<u>260,770</u>	<u>277,040</u>	<u>1,884,848</u>
<b>Operating Income (Loss)</b>	(946)	(56,465)	(137,440)
<b>Non-Operating Income (Expense):</b>			
Interest Income	5,703	17,525	104,244
Gain on Sale of Assets			
Other Non-operating Revenues (Expenses)	8,799	570	(118,362)
Interest Expense			(283,974)
<b>Total Non-Operating Income (Expenses)</b>	<u>14,502</u>	<u>18,095</u>	<u>(298,092)</u>
<b>Income (Loss) before Contributions and Transfers</b>	13,556	(38,370)	(435,532)
<b>Transfers In</b>			50,000
<b>Transfers Out</b>	<u>(10,452)</u>	<u>(59,000)</u>	<u>(207,500)</u>
<b>Change in Net Assets</b>	3,104	(97,370)	(593,032)
<b>Net Assets - Beginning</b>	1,194,506	1,326,110	1,762,488
<b>Prior Period Adjustment</b>	-	-	146,000
<b>Net Assets -Beginning, as restated</b>	<u>1,194,506</u>	<u>1,326,110</u>	<u>1,908,488</u>
<b>Net Assets - Ending</b>	<u>\$ 1,197,610</u>	<u>\$ 1,228,740</u>	<u>\$ 1,315,456</u>

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 1,450,173	\$ 151,926	\$ 1,047,889	\$ 351,018	\$ 5,228,813	\$ 155,750
1,450,173	151,926	1,047,889	351,018	5,228,813	155,750
1,052,433	137,959	442,668	158,626	2,598,246	-
89,418		69,216	40,918	440,039	-
146,544	12,926	286,949	100,573	889,625	-
22,757	963	42,548	19,314	307,225	-
11,542	1,000	15,375	11,263	110,270	-
	126	10,939		52,408	-
3,420	514	39,031	1,807	57,694	-
19,319		2,420	19,673	721,230	125,432
				6,162	-
1,345,433	153,488	909,146	352,174	5,182,899	125,432
104,740	(1,562)	138,743	(1,156)	45,914	30,318
1,658	5,709	9,609	351	144,799	15,958
				-	12,200
2,940	218	7,297	2,653	(95,885)	-
				(283,974)	
4,598	5,927	16,906	3,004	(235,060)	28,158
109,338	4,365	155,649	1,848	(189,146)	58,476
				50,000	
(182,500)		(30,000)		(489,452)	-
(73,162)	4,365	125,649	1,848	(628,598)	58,476
508,836	290,762	491,645	220,296	5,794,643	1,171,275
-	-	-	-	146,000	-
508,836	290,762	491,645	220,296	5,940,643	
\$ 435,674	\$ 295,127	\$ 617,294	\$ 222,144	\$ 5,312,045	\$ 1,229,751

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 253,548	\$ 220,460	\$ 1,731,446
Cash Paid to Suppliers for Goods and Services	(158,422)	(170,890)	(1,086,547)
Cash Paid to Employees for Services	(59,451)	(49,588)	(140,642)
Other Nonoperating Income	8,799	570	13,236
Net Cash Provided by Operating Activities	<u>44,474</u>	<u>552</u>	<u>517,493</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets		(44,031)	(235,162)
Proceeds from Sales of Fixed Assets			(170,000)
Principal Paid on Notes and Bonds			(177,051)
Interest Paid on Notes and Bonds			(582,213)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(44,031)</u>	<u>(582,213)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(10,452)	(59,000)	(157,500)
Advances From (To) Other Funds			(73,967)
Due From (To) Other Funds	(17,162)	116,678	63,602
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(27,614)</u>	<u>57,678</u>	<u>(167,865)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investment Securities	(200,000)		(427,000)
Interest and Dividends on Investments	4,415	17,109	44,679
Net Cash Provided (Used) for Investing Activities	<u>(195,585)</u>	<u>17,109</u>	<u>(382,321)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(178,725)	31,308	(614,906)
Cash and Cash Equivalents at Beginning of Year	282,937	355,115	832,325
Cash and Cash Equivalents at End of Year	<u>\$ 104,212</u>	<u>\$ 386,423</u>	<u>\$ 217,419</u>



Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 1,444,632	\$ 150,092	\$ 1,064,080	\$ 350,682	\$ 5,214,940	\$ 155,651
(1,240,525)	(142,293)	(843,920)	(295,539)	(3,938,136)	
(91,485)		(72,607)	(41,901)	(455,674)	
2,940	218	7,297	2,653	35,713	35
115,562	8,017	154,850	15,895	856,843	155,686
(14,776)		(1,000)	(9,585)	(304,554)	(304,201)
				-	12,200
				(170,000)	
				(177,051)	
(14,776)	-	(1,000)	(9,585)	(651,605)	(292,001)
(182,500)		(30,000)		(439,452)	
(24,923)	47,225	97,353	8,089	(73,967)	
(207,423)	47,225	67,353	8,089	290,862	
				(222,557)	-
	(180,000)	(200,000)		(1,007,000)	(160,000)
1,658	4,550	9,169	351	81,931	16,819
1,658	(175,450)	(190,831)	351	(925,069)	(143,181)
(104,979)	(120,208)	30,372	14,750	(942,388)	(279,496)
288,955	180,523	220,121	63,157	2,223,133	311,866
\$ 183,976	\$ 60,315	\$ 250,493	\$ 77,907	\$ 1,280,745	\$ 32,370

(Continued)

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (946)	\$ (56,465)	\$ (137,440)
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Depreciation	51,885	58,096	569,837
Amortization			6,162
Miscellaneous Non-Operating Income	8,799	570	13,236
(Increase) Decrease in Assets:			
Accounts Receivable	(5,719)	548	(4,342)
Estimated Unbilled Usage	(557)	(663)	(11,620)
Inventories	(9,614)		57,945
Prepaid Expenses	(32)	(86)	1,690
Increase (Decrease) in Liabilities			
Accounts Payable	2,103	898	29,970
Accrued Wages and Compensated Absences	666	(2,336)	(7,524)
Accrued Expenses	(2,111)	(10)	(421)
Customer Deposits			
Total Adjustments	45,420	57,017	654,933
Net Cash Provided by Operating Activities	\$ 44,474	\$ 552	\$ 517,493

**Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:**

Cash and Cash Equivalents	\$ -	\$ 83,058	\$ -
Restricted Cash and Cash Equivalents	104,212	303,365	217,419
	\$ 104,212	\$ 386,423	\$ 217,419

Business Type Activities					Governmental Activities
Gas Utility	Solid Waste Utility	Telephone Utility	Cable/Internet Utility	Total	Internal Service
\$ 104,740	\$ (1,562)	\$ 138,743	\$ (1,156)	\$ 45,914	\$ 30,318
19,319	-	2,420	19,673	721,230	125,432
2,940	218	7,297	2,653	6,162	-
(9,481)	(1,300)	16,070	(336)	35,713	35
5,815	(534)			(4,560)	(99)
4,352		2,975	(2,419)	(7,559)	-
(24)		(25)	(18)	53,239	-
				1,505	
(7,980)	11,865	(18,510)	(2,002)	16,344	-
(2,067)		(3,391)	(983)	(15,635)	-
(177)	(670)	9,150	483	6,244	-
(1,875)		121		(1,754)	-
10,822	9,579	16,107	17,051	810,929	125,368
\$ 115,562	\$ 8,017	\$ 154,850	\$ 15,895	\$ 856,843	\$ 155,686
\$ 315	\$ 54,792	\$ 185,398	\$ -	\$ 323,563	\$ 32,370
183,661	5,523	65,095	77,907	957,182	-
\$ 183,976	\$ 60,315	\$ 250,493	\$ 77,907	\$ 1,280,745	\$ 32,370

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**June 30, 2005**

	Pension Trust Fund		Agency Funds		Total
	Police Retirement Fund				
<b>ASSETS</b>					
Cash and Pooled Investments	\$	1,022	\$	38,137	\$ 39,159
Accounts Receivable		-		5,000	5,000
<b>Total Assets</b>		1,022		43,137	44,159
<b>LIABILITIES</b>					
Accounts Payable		391		5,000	5,391
Due to Other Governments		-		38,137	38,137
<b>Total Liabilities</b>		391		43,137	43,528
<b>NET ASSETS</b>					
Nonexpendable		631		-	631
<b>Total Net Assets</b>	\$	631	\$	-	\$ 631

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2005**

	<b>Pension Trust Fund Police Retirement Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 23,300
Total Contributions	23,300
Investment Income:	
Interest, Dividends and Market Gain	46
Net Investment Income	46
Total Additions	23,346
<b>DEDUCTIONS</b>	
Pension Benefits	25,539
Administrative Costs	575
Total Deductions	26,114
Net (Decrease)	(2,768)
Net Assets -- Beginning of Period	3,399
Net Assets -- End of Period	\$ 631

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**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric and sanitation utilities and telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as described by the Governmental Accounting Standards Board.

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

**A. Reporting Entity**

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – The Hawarden Community Hospital (Hospital) is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for as a Proprietary Fund in these financial statements. Complete financial statements are on file at the hospital.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The Special Revenue Tax Increment Financing Revenues Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing are to provide the revenues for the debt services payments.

The Capital Project Community Center Project Fund is used to account for financial resources to be used for the acquisition and construction of a community center.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Solid Waste Fund accounts for the collection and disposal of solid waste. The services are performed by a private contractor. The City is responsible for the billing and collection of the customers' accounts and payments to the contractor.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system providing cable/internet services to residents of the City.

**Internal Service Fund** – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

**Fiduciary Fund Types** – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

- 2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices (except for \$2,819,689 held at cost by Banker's Trust for electric fund crossover refunding, because the treasury notes will be held to maturity when payments on debt are required) or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2004.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$11,475 and \$17,094 at June 30, 2005 and 2004, respectively. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Community Hospital's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$158,813 and \$174,325 at June 30, 2005 and 2004, respectively.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa.

Internal Balances – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Governmental Fund Type inventories of expendable supplies held for consumption are recorded as an expenditure at the time of purchase and are not recorded on the combined balance sheet because the amounts are not material. Inventories in the Enterprise Funds, consisting of material and supplies, are reported as an expense when consumed.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of notes receivable not currently due, as well as delinquent property tax receivable and special assessments not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2005 exceeded amounts budgeted in Health and Social Services, and Business Type Activities.

**Note 2 - POOLED CASH , INVESTMENTS AND CASH EQUIVALENTS**

The City deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 2 - POOLED CASH , INVESTMENTS AND CASH EQUIVALENTS – (Continued)**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2005.

At June 30, 2005 the City had the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
U.S. Treasury Notes	N/A	\$ 40,000

  

	<b>Credit Risk</b>	<b>Fair Value</b>
U.S. Treasury Notes	N/A	\$ 2,819,689

See Note 1D concerning the treatment of the U.S. Treasury Notes being held by Banker's Trust.

**Note 3 - JOINT VENTURES**

**MBMECA** - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns an 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

Summary financial information of the joint venture for the year ended December 31, 2004 follows:

	<b>Total</b>	<b>City Share</b>
Assets .....	\$ 7,916,247	\$ 930,159
Liabilities .....	305,664	35,916
Equity .....	7,610,583	894,243
	<u>7,916,247</u>	<u>930,159</u>
Revenues .....	1,052,351	123,651
Expenses .....	1,110,047	130,431
Net Decrease in Equity .....	<u>\$ (57,696)</u>	<u>\$ (6,780)</u>

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 3 -       JOINT VENTURES – (Continued)**

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 472,625	\$ 1,000	-	\$ 473,625
Construction in Progress-infrastructure	9,540	-	\$ 9,540	-
Construction in Progress-other	299,445	103,675	299,445	103,675
Total capital assets not being depreciated	781,610	104,675	308,985	577,300
Capital assets being depreciated:				
Buildings	3,301,434	2,143,790	-	5,445,224
Improvements other than buildings	767,715	38,776	-	806,491
Equipment and vehicles	2,095,897	371,903	39,197	2,428,603
Infrastructure, road network	4,331,893	55,667	-	4,387,560
Total capital assets being depreciated	10,496,939	2,610,137	39,197	13,067,878
Less: Accumulated Depreciation for:				
Buildings	1,840,268	120,222	-	1,960,490
Improvements other than buildings	455,778	25,199	-	480,977
Equipment and vehicles	1,466,657	147,873	39,197	1,575,333
Infrastructure, road network	982,761	73,857	-	1,056,618
Total Accumulated Depreciation	4,745,464	367,151	39,197	5,073,418
Total capital assets being depreciated, net	5,751,475	2,242,986	-	7,994,461
Governmental activities capital assets, net	\$ 6,533,085	\$ 2,347,661	\$ 308,985	\$ 8,571,761
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	-	-	\$ 56,094
Construction in Progress	38,977	-	\$ 38,977	-
Total capital assets not being depreciated	95,071	-	38,977	56,094
Capital assets being depreciated:				
Buildings	102,703	-	-	102,703
Utility Plant	12,283,809	\$ 341,815	992,377	11,633,247
Total capital assets being depreciated	12,386,512	341,815	992,377	11,735,950
Less: Accumulated Depreciation for:				
Buildings	73,964	2,795	-	76,759
Utility Plant	7,655,476	718,435	510,635	7,863,276
Total Accumulated Depreciation	7,729,440	721,230	510,635	7,940,035
Total capital assets being depreciated, net	4,657,072	(379,415)	(481,742)	3,795,915
Business-Type activities capital assets, net	\$ 4,752,143	\$ (379,415)	\$ (520,719)	\$ 3,852,009



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 4 - CAPITAL ASSETS – (Continued)**

The decrease in utility plant assets and depreciation are due to the reclassification of the City's share of MBMECA Assets, from capital assets to inclusion in the Investment in Joint Venture asset.

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

Public Safety	\$ 21,345
Public Works	54,420
Culture and Recreation	65,208
General Government	131,299
Health & Social Services	1,295
Community Economic Development	19,726
Public Works	73,857
Total depreciation expense – governmental activities	<u>\$ 367,151</u>

**Business-Type Activities:**

Water	\$ 51,885
Wastewater	58,096
Electric	569,837
Gas	19,319
Cable/Internet	19,673
Telephone	2,420
Total depreciation expense – business type activities	<u>\$ 721,230</u>

<b>Discretely presented component unit</b>	<b>Balance July 1, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2005</b>
Capital assets not being depreciated:				
Land	\$ 7,000	-	-	\$ 7,000
Construction-in-Progress	-	\$ 44,203	-	44,203
	7,000	44,203	-	51,203
Capital assets being depreciated:				
Land Improvements	28,089	-	-	28,089
Hospital	1,437,781	-	-	1,437,781
Fixed Equipment	501,056	27,776	\$ 15,213	513,619
Major Moveable Equipment	1,127,658	77,506	1,750	1,203,414
Total capital assets being depreciated	3,094,584	105,282	16,963	3,182,903
Less: Accumulated Depreciation for:				
Land Improvements	19,711	2,551	-	22,262
Hospital	807,474	48,653	-	856,127
Fixed Equipment	318,400	20,054	3,550	334,904
Major Moveable Equipment	777,946	97,488	1,750	873,684
Total Accumulated Depreciation	1,923,531	168,746	5,300	2,086,977
Total capital assets being depreciated, net	1,171,053	(63,464)	11,663	1,095,926
Total capital assets, net	<u>\$ 1,178,053</u>	<u>\$ (19,261)</u>	<u>\$ 11,663</u>	<u>\$ 1,147,129</u>
Total depreciation expense – discretely presented component unit				<u>\$ 168,746</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 4 - CAPITAL ASSETS – (Continued)**

Reconciliation of Invested In Capital Assets, net of related debt.

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 473,625	\$ 56,094	\$ 7,000
Construction-in-Progress	103,675	-	44,203
Capital Assets (net of accumulated depreciation)	7,994,461	3,795,915	1,095,926
Less: General Obligation Bonds Payable	1,230,000	-	-
Notes Payable	-	-	37,328
Revenue Bonds	-	2,970,000	-
Capital Lease	-	-	39,172
	<u>\$ 7,341,761</u>	<u>\$ 882,009</u>	<u>\$ 1,070,629</u>

**Note 5 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Compensated Absences	\$ -	\$ 26,348	\$ 1,335	\$ 25,013	\$ 25,013
General obligation bonds/notes	1,405,000	-	175,000	1,230,000	105,000
	<u>\$ 1,430,581</u>	<u>\$ 767</u>	<u>\$ 176,335</u>	<u>\$ 1,255,013</u>	<u>\$ 130,013</u>

Unamortized discount at June 30, 2005 on bonds sold at discount totaled \$5,745.

Unaccreted premium at June 30, 2005 on bonds sold at premium totaled \$4,720.

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year
Business type activities:					
Revenue notes	\$ 6,085,000	-	\$ 170,000	\$ 5,915,000	\$ 200,000

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year
Component unit:					
Bank Note	\$ 24,352	\$ 21,500	\$ 8,524	\$ 37,328	\$ 15,202
Capital Lease	66,544	-	27,371	39,173	29,081
	<u>\$ 90,896</u>	<u>\$ 21,500</u>	<u>\$ 35,895</u>	<u>\$ 76,501</u>	<u>\$ 44,283</u>

General Obligation Bonds/Notes

Two issues of unmatured general obligation bonds/notes, totaling \$1,230,000 are outstanding at June 30, 2005. General obligation bonds/notes bear interest at rates ranging from 2.0-4.0% and mature in varying annual amounts, ranging from \$15,000 to \$95,000, with the final maturities due in the year ending June 1, 2018.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

Details of general obligation bonds/notes payable at June 30, 2005 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bonds/notes:						
Capital Loan Notes	April 3, 2000	5.3-5.5%	June 1, 2008	35,000-60,000	480,000	\$ 275,000
General corporate purpose and refunding	May 1, 2003	2.0-4.0%	June 1, 2018	50,000-95,000	1,060,000	955,000
						<u>\$ 1,230,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2006	\$ 105,000	\$ 47,625	\$ 152,625
2007	110,000	43,600	153,600
2008	115,000	39,425	154,425
2009	125,000	34,655	159,655
2010	125,000	29,273	154,273
2011-2015	380,000	94,270	474,270
2016-2018	270,000	21,650	291,650
Total	<u>\$ 1,230,000</u>	<u>\$ 310,498</u>	<u>\$ 1,540,498</u>

**Revenue Notes**

The City has pledged income derived from the acquired or constructed asset to pay debt service.

In January 2004, the City issued \$2,945,000 of Electric Revenue Refunding Notes for a crossover advance refunding of the Electric Revenue Notes, Series 1997. The proceeds of the Refunding Notes are held escrow until the crossover date of June 1, 2006. The 2004 bonds have an average interest rate of 3.81% and the 1997 bonds to be refunded have an average interest rate of 5.46%. As a result of this refunding the City will reduce its debt service payments over the next twelve years by \$129,789 and obtain an economic gain of \$101,116.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2005</u>	<u>Actual Balance June 30, 2005</u>
Electric	Electric Revenue Sinking Fund	\$ 30,765	\$ 30,770
Electric	Bond and Interest Reserve	377,535	377,535
Electric	Bond Improvement	100,000	100,000

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

These amounts are classified as restricted assets on the combined balance sheet.

Details of revenue notes payable at June 30, 2005 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Revenue Notes:						
Electric (Series 1997)	Jan. 7, 1997	5.25-6.0%	June 1, 2016	25,000-355,000	\$ 3,795,000	\$ 2,970,000
Electric Crossover Refunding	Jan. 26, 2004	2.55-4.3%	June 1, 2016	250,000-350,000	2,945,000	2,945,000
						<u>\$ 5,915,000</u>

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2006	200,000	276,105	476,105
2007	460,000	265,805	725,805
2008	485,000	248,405	733,405
2009	500,000	228,698	728,698
2010	525,000	207,675	732,675
2011-2015	3,040,000	646,620	3,686,620
2016	705,000	36,350	741,350
Total	<u>\$ 5,915,000</u>	<u>\$ 1,909,658</u>	<u>\$ 7,824,658</u>

Bank Loans:

In FY02, the City borrowed \$180,000 for Wee Care Child Care for improvements to the leased portion of the community center. The City will make payments on this loan at the same terms as the Wee Care schedule of payments to the City as scheduled in Note 11.

Component Unit:

In May 2003, the Hospital took out a note from Farmers State Bank in Hawarden for \$25,000 to be used for the purchase of property and equipment. The note has an interest rate of 4.5% and will be repaid over three years in monthly installments of \$743 beginning June 28, 2004.

In May 2005, the Hospital took out a note from Farmers State Bank in Hawarden for \$21,500 to be used for the purchase of property and equipment. The note has an interest rate of 5.0% and will be repaid over three years in monthly installments of \$644 beginning June 11, 2005.

Annual debt service requirements related to the Notes are as follows:

Year	Principal	Interest	Total
2006	\$ 15,202	\$ 1,457	\$ 16,659
2007	15,189	726	15,915
2008	6,937	177	7,114
	<u>\$ 37,328</u>	<u>\$ 2,360</u>	<u>\$ 39,688</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

Component Unit Capital Lease:

The Hospital has entered into a capital lease agreement to acquire medical equipment at a cost of \$176,534. The liability under the capital lease is due in monthly installments of \$2,555, including interest at a rate of 6.1%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 29,081	\$ 1,579	\$ 30,660
2007	10,092	182	10,274
	<u>\$ 39,173</u>	<u>\$ 1,707</u>	<u>\$ 40,880</u>

**Note 6 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 175,000
	Employee Benefit Levy	83,850
	Tax Increment Financing Revenues	14,000
	Enterprise (Electric, Gas, Telephone, Wastewater, Water)	<u>355,000</u>
		627,850
Debt Service	Special Revenue:	
	Tax Increment Financing Revenues	<u>141,308</u>
		141,308
Fiduciary		
Police Retirement	Special Revenue:	
	Employee Benefit	<u>23,300</u>
		23,300
Capital Projects	General:	17,292
	Special Revenue:	
	Road Use Tax	37,000
	Enterprise:	
	Water	7,452
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
	Capital Projects	<u>648</u>
		89,392
Special Revenue TIF	Enterprise:	
	Wastewater	<u>50,000</u>
Total		<u>\$ 931,850</u>

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 7 - INTERFUND RECEIVABLES/PAYABLES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2005, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	Gas	\$ 98,037
	Electric	63,602
	Capital Projects	106,997
Special Revenue:		
TIF	Capital Projects	147,425
Enterprise	Enterprise:	
Electric	Water	7,324
Capital Project	Cable	65,036
General	Water	64,187
Gas	Electric	133,250
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		<u>\$ 697,507</u>

The detail of long-term advances to and from other funds at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise	Special Revenue:	
Electric	Tax Increment Financing	\$ 298,685

**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)**

Contribution requirements are established by state statute. The City contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$59,558, \$60,479 and \$64,606, respectively, equal to the required contributions for each year.

In addition the Hawarden Municipal Hospital contributed the following amounts for the year ended June 30, 2005, 2004, and 2003, respectively, \$74,006, \$65,100 and \$67,757. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one nonactive employee who qualifies as a participant because of employment prior to July 1, 1971, as well as the surviving spouse of a retired policeman who is presently receiving benefits under the plan. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$190,109.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2005.

Net Pension Obligation

Retirees and Beneficiaries Currently Receiving Benefits .....	\$ 193,519
Net Assets Available for Benefits at Market.....	\$ 631

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)**

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$20,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$193,519.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$23,300 as required by the pay-as-you-go method of funding. This \$23,300 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2005</u>	June 30, <u>2004</u>	June 30 <u>2003</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.33%	1.70%	1.90%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

Ten-year historical trend information is presented in the required supplementary information. This trend information provides information about accumulating assets to pay benefits when due.

**Note 9 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2004-05 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 10 - POSTCLOSURE COSTS**

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$6,800 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

**Note 11 - NOTES RECEIVABLE**

In fiscal year 2002, the City advance Wee Care Child Care \$180,000 for improvements to leased portion of community center. The note bears interest at 5.85% with payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2006	5,828
2007	6,178
2008	6,526
2009	6,942
2010	7,359
2011-2015	43,962
2016-2020	58,857
2021-2023	28,797
Total Note Receivable	<u>\$ 164,449</u>

**Note 12 - RELATED PARTY TRANSACTIONS**

*Hawarden Mercy Medical Clinic*

Prior to January 1, 2005, the Hospital and Mercy Medical Services (MMS) each had a 50% sponsorship interest in the Hawarden Mercy Medical Clinic (Clinic) located adjacent to the Hospital. Each party provided facilities, equipment and/or personnel to operate the Clinic, and shared equally in revenues and expenses. The Hospital's share of the Clinic's 2005 (from July 1 through December 31) and 2004 operating losses was \$79,742 and \$134,589, respectively and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

Effective January 1, 2005, the Hospital and Mercy Medical Services entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Community Clinic, LLC. (HCC). The Hospital and MMS share equally in the net income (loss) of HCC. The Hospital's share of HCC's 2005 (from January 1 through June 30) operating loss was \$59,069 and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of HCC and leases them back to HCC. Salary and benefit expense paid by the Hospital in 2005 was \$120,473 and is included in the accompanying statements of revenue, expenses and changes in net assets.

In addition, the Hospital receives monthly rent from the clinic with rental income totaling \$27,600 and \$28,560 for the years ended June 30, 2005 and 2004, respectively, and is included in other revenue.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 12 - RELATED PARTY TRANSACTIONS – (Continued)**

Mercy Accounts Payable includes amounts due Mercy Medical Services and Mercy Medical Center related to the Hospital's portion of financial support for the Hawarden Mercy Medical Clinic and other professional and management fees. Mercy accounts payable as of June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
Mercy Medical Services for share of Hawarden Mercy Medical Clinic operating support		
Mercy Medical Center for professional and Management services	\$ 304,356	\$ 364,698
	<u>208,063</u>	<u>176,491</u>
	<u>\$512,419</u>	<u>\$ 541,189</u>

**Note 13 - RESERVES**

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Endowments/ Library</u>	<u>Total</u>
<b>General Fund</b>	\$ 47,741			\$ 47,741
<b>Debt Service</b>		\$ 27,471		27,471
<b>Permanent Fund</b>				
Marie Gregg/Vipond Trust			\$ 168,380	168,380
<b>Total Reserves of Fund Balances</b>	<u>\$ 47,741</u>	<u>\$ 27,471</u>	<u>\$ 168,380</u>	<u>\$ 243,592</u>

**Note 14 - LEASES WITH RELATED PARTIES**

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

**Note 15 - PRIOR PERIOD ADJUSTMENT**

A long-term advance between the TIF fund and the Electric fund was incorrectly recorded as a transfer rather than an advance in the prior year.

The error noted above had the following effect on the beginning fund balances:

	<u>Electric</u>	<u>TIF</u>
Beginning Fund Balance as previously reported	\$1,762,488	\$ 69,021
Adjustment for long-term advance recorded as transfer	<u>146,000</u>	<u>(146,000)</u>
Beginning Fund Balance, as restated	<u>\$1,908,488</u>	<u>\$ (76,979)</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 16 -        DEFICIT FUND BALANCES**

The City has three funds with deficit fund balances at June 30, 2005. The City intends to finance these deficits from various resources including property taxes, general funds, and capital project debt financing.

The individual fund deficits are as follows:

TIF .....	\$62,241
Community Center Project .....	114,649
Heart of Hawarden Project.....	151,414

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## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
Public Safety	\$ 421,500	\$ 15,000	\$ 436,500
Public Works	348,250	-	348,250
Health and Social Services	180,000	-	180,000
Culture and Recreation	407,200	-	407,200
Community and Economic Development	80,000	200,000	280,000
General Government	126,500	-	126,500
Debt Service	313,640	-	313,640
Capital Projects	1,461,600	1,030,000	2,491,600
Business Type Activities	8,884,839	590,000	9,474,839
Transfer Out	1,014,158	255,000	1,269,158

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

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5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
  
6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

	Governmental Fund Types	Proprietary Fund Types
<b>Revenues:</b>		
Taxes.....	\$ 775,781	-
Licenses and Permits.....	18,633	-
Intergovernmental .....	436,565	-
Charges for Services.....	194,290	\$ 5,074,870
Fines and Forfeits.....	12,284	-
Interest on Investments.....	44,380	144,799
Revenue from Use of Property.....	12,849	153,943
Special Assessments .....	4,423	-
Contributions .....	34,869	-
Reimbursements.....	50,303	-
Miscellaneous.....	27,855	-
Total Revenue .....	<u>1,612,232</u>	<u>5,373,612</u>
<b>Expenditures:</b>		
Public Safety .....	432,806	-
Public Works .....	251,664	-
Health and Social Services .....	193,270	-
Culture and Recreation .....	385,346	-
Community and Economic Development.....	206,898	-
General Government.....	116,065	-
Debt Service.....	246,614	-
Capital Projects .....	2,044,769	-
Business Type Activities .....	-	5,562,758
Total Expenditures/Expenses.....	<u>3,877,432</u>	<u>5,562,758</u>
Excess (Deficiency) of Revenues Over Expenditures ....	<u>(2,265,200)</u>	<u>(189,146)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers from Other Funds.....	908,550	50,000
Transfers to Other Funds .....	(469,098)	(489,452)
Proceeds of Capital Asset Sales.....	-	-
Total Other Financing Sources (Uses).....	<u>439,452</u>	<u>(439,452)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	<u>(1,825,748)</u>	<u>(628,598)</u>
Fund Balance/Retained Earnings at Beginning of Year .	2,847,442	5,794,643
Prior Period Adjustment .....	(146,000)	146,000
Fund Balance/Retained Earnings at Beginning of Year, as restated.....	<u>2,701,442</u>	<u>5,940,643</u>
Fund Balance/Retained Earnings at End of Year .....	<u>\$ 875,694</u>	<u>\$ 5,312,045</u>



**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

Primary Government Total	Hawarden Community Hospital	Reporting Entity Total	Adopted Budget	Variance Favorable (Unfavorable)
\$ 775,781	-	\$ 775,781	\$ 730,597	\$ 45,184
18,633	-	18,633	19,550	(917)
436,565	-	436,565	458,689	(22,124)
5,269,160	\$ 3,776,934	9,046,094	9,935,145	(889,051)
12,284	-	12,284	-	12,284
189,179	8,140	197,319	-	197,319
166,792	-	166,792	53,700	113,092
4,423	-	4,423	4,700	(277)
34,869	208,766	243,635	-	243,635
50,303	-	50,303	-	50,303
27,855	193,320	221,175	55,200	165,975
<u>6,985,844</u>	<u>4,187,160</u>	<u>11,173,004</u>	<u>11,257,581</u>	<u>(84,577)</u>
432,806	-	432,806	436,500	3,694
251,664	-	251,664	348,250	96,586
193,270	-	193,270	180,000	(13,270)
385,346	-	385,346	407,200	21,854
206,898	-	206,898	280,000	73,102
116,065	-	116,065	126,500	10,435
246,614	-	246,614	313,640	67,026
2,044,769	-	2,044,769	2,491,600	446,831
5,562,758	4,037,278	9,600,036	9,474,839	(125,197)
<u>9,440,190</u>	<u>4,037,278</u>	<u>13,477,468</u>	<u>14,058,529</u>	<u>581,061</u>
<u>(2,454,346)</u>	<u>149,882</u>	<u>(2,304,464)</u>	<u>(2,800,948)</u>	<u>496,484</u>
958,550	-	958,550	1,269,158	(310,608)
(958,550)	-	(958,550)	(1,269,158)	310,608
-	-	-	102,500	(102,500)
<u>-</u>	<u>-</u>	<u>-</u>	<u>102,500</u>	<u>(102,500)</u>
(2,454,346)	149,882	(2,304,464)	(2,698,448)	393,984
8,642,085	1,619,338	10,261,423	10,948,585	-
-	-	-	-	-
8,642,085	1,619,338	10,261,423	10,948,585	-
<u>\$ 6,187,739</u>	<u>\$ 1,769,220</u>	<u>\$ 7,956,959</u>	<u>\$ 8,250,137</u>	<u>\$ 393,984</u>

**CITY OF HAWARDEN, IOWA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS**  
**Year Ended June 30, 2005**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Taxes	\$ 303,552	\$ 303,552	\$ 301,829	\$ (1,723)
Special Assessments	4,700	4,700	4,423	(277)
Licenses and Permits	19,550	19,550	18,633	(917)
Intergovernmental Revenue	50,960	50,960	32,344	(18,616)
Charges for Fees and Services	169,050	184,050	194,290	10,240
Fines and Forfeits	-	-	12,284	12,284
Refunds/Reimbursements	-	-	42,997	42,997
Use of Money and Property	28,100	28,100	12,849	(15,251)
Interest	-	-	11,236	11,236
Miscellaneous	24,700	24,700	6,612	(18,088)
Total Revenue	600,612	615,612	637,497	21,885
Expenditures:				
Public Safety	395,800	410,800	409,506	1,294
Public Works	298,000	298,000	251,664	46,336
Culture and Recreation	382,700	382,700	373,404	9,296
Community and Economic Development	56,000	56,000	55,098	902
General Government	126,500	126,500	116,065	10,435
Capital Projects	-	-	-	-
Total Expenditures	1,259,000	1,274,000	1,205,737	68,263
Excess (deficiency) of revenues over expenditures	(658,388)	(658,388)	(568,240)	90,148
Other financing sources (uses):				
Proceeds of Capital Asset Sales	102,500	102,500	-	(102,500)
Transfers In	627,850	627,850	627,850	-
Transfers Out	(70,000)	(70,000)	(17,292)	52,708
Total other financing sources (uses)	660,350	660,350	610,558	(49,792)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 1,962	\$ 1,962	42,318	\$ 40,356
Fund balances-beginning of year			458,632	
Prior Period Adjustment			-	
Fund balances-beginning of year as restated			458,632	
Fund balances- end of year			\$ 500,950	

TIF Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Amended		
\$ 224,425	\$ 224,425	\$ 267,106	\$ 42,681
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,300	2,300	4,740	2,440
-	-	-	-
-	-	-	-
226,725	226,725	271,846	45,121
-	-	-	-
-	-	-	-
-	-	-	-
312,276	512,276	151,800	360,476
-	-	-	-
-	-	-	-
312,276	512,276	151,800	360,476
(85,551)	(285,551)	120,046	405,597
-	-	-	-
150,000	350,000	50,000	(300,000)
(141,308)	(141,308)	(155,308)	(14,000)
8,692	208,692	(105,308)	(314,000)
<u>\$ (76,859)</u>	<u>\$ (76,859)</u>	14,738	<u>\$ 91,597</u>
		69,021	
		(146,000)	
		(76,979)	
		<u>\$ (62,241)</u>	

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Hawarden, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA as of and for the year ended June 30, 2005, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated August 25, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Hawarden Municipal Hospital, which statements reflect total assets of \$2,727,888 and total operating revenues of \$3,776,934 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Municipal Hospital, is based solely on the report of the other auditors.

***Internal Control Over Financial Reporting:***

In planning and performing our audit, we considered the City of Hawarden, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters:***

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report, a public record by law, is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*William & Company P.C.*  
Certified Public Accountants

August 25, 2005